



AGENCY POLICY #910 Pricing Liquor Products

Policy #: 910
Category: Purchasing Services
Purpose: Provide expectations for pricing LCB retail products
Applies to: Retail, Purchasing, Financial, ITS and Distribution Center employees

Effective Date: 2/24/06

See Also: Agency Procedure 910A:
Capturing POS Mid-Month
Price Changes

Agency Policy #905:
Procuring Liquor Products

POLICY STATEMENT

- The LCB will determine consistent retail pricing according to the following schedule:**
 - Spirits: Monthly
 - Wines: Quarterly
- Pricing for LCB stores, contract liquor stores and Licensees shall be based on purchase price, markup, surcharge, freight costs, and appropriate federal and state taxes.**
- Pricing for Tribal and Military customers shall be established based on total costs and targeted return to the LCB. The price structure for these customers shall be recorded in contracts.**
- Purchasing Division staff must ensure that all suppliers maintain a Standard Quotation on file with the LCB for any products that they intend to make available for sale to the LCB regardless of their listing status.**

The Standard Quotation Form must be received in Purchasing at least 45 days in advance of the effective pricing month.
- Suppliers may request to offer discounts (SPA or DA) on their products. Criteria for approval include, but are not limited to, the proposed discount amount, price comparison against similar products, and supplier performance.**

DEFENDANT'S EXHIBIT	
CASE NO.	C04-0360P
EXHIBIT NO.	591

Resp to Costco RFP
8623

Purchasing staff will only consider discount requests received at least 60 days in advance of the effective pricing month unless approved by the Purchasing Director. These offers must be approved/accepted by Purchasing in advance of their implementation. If approved, Purchasing will issue a Temporary Price Reduction (TPR). Spirit TPR's are limited to one time per quarter, with the exception of twice in the last quarter (5 times per year). Wine TPR's must be for an entire quarter but have no limitations on the number of times per year.

RESPONSIBILITIES

Pricing Coordinator

- Collect and verify pricing data
- Identify and resolve pricing issues
- Determine TPR qualifications
- Approve, implement and transmit monthly pricing information

Marketing Manager

- Ensure price points for all brand codes remain at appropriate levels as determined by the established category management strategies and Agency goals.

DEFINITIONS

Depletion Allowance (DA): A supplier offer to reduce the price on a specific brand code in a specific future month. The price reduction applies only to actual sales at the outlets for wine. Spirit brands are billed back for the bailment withdrawals from the DC.

Federal taxes: Applicable excise tax rates and duty rates on imported product.

Freight costs: Those costs associated with the delivery and transportation of product to and from the Agency's Distribution Center. It is generally preferable for the inbound costs to be included in the purchase price.

Markup: Established by the Board to cover operating costs of the State liquor control system and provides a yearly profit that is shared by state and local government. The markup may be adjusted on a case by case basis as deemed appropriate and is expressed as margin on sales.

Purchase price: The actual price paid by the Board to the supplier. It is generally preferable that this price be inclusive of all product costs, packaging, transportation, and insurance.

Special Purchase Allowance (SPA): A supplier offer to reduce the price on a specific brand code for a future month. A qualified wine SPA is passed on to the consumer the following month of the offer, in the form of a TPR. A qualified spirit SPA offer is passed on to the consumer in the same month that the offer applies.

State sales taxes: Applicable taxes as established by the State Legislature.

Surcharge: A price modifier established by the Board to adjust retail pricing on a case-by-case basis as deemed appropriate and is expressed as a margin on sales.

Temporary Price Reduction (TPR): A LCB action in response to a supplier offer of a Special Purchase Allowance or Depletion Allowance. Generally limited for a one month period, the LCB passes this discount through to the consumer for the month it was offered.

RELEVANT LAWS AND OTHER RESOURCES

RCW 66.16.010 Alcoholic Beverage Control/State Liquor Stores/Board may establish -- Price standards -- Prices in special instances.

REVISION HISTORY

New policy created in February 2006.

CONTACT

For additional information about this policy, contact the Pricing Coordinator in the Purchasing Division.

APPROVING AUTHORITY

Pat Kohler
Pat Kohler, Administrative Director
Liquor Control Board

2/16/06
Date

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8625